

**MINUTES OF THE CSURMA AORMA
COMMITTEE MEETING**

MAY 8, 2014

**ALLIANT INSURANCE SERVICES
CSU Chancellor's Office, Munitz Room
Long Beach, CA 90802**

10:00 AM

MEMBERS PRESENT

Kurt Borsting, Associated Students, Inc., CSU Fullerton
Dwayne Brummett, Associated Students, Cal Poly San Luis Obispo
Melinda Coil, San Diego State University Research Foundation
Guy Dalpe, Cesar Chaves Student Center, San Francisco State University
Leslie Davis, University Union Operation of CSUS, Inc., Sacramento State University
Robert de Wit, Forty-Niner Shops, Inc., CSU Long Beach
Keith Kompasi, Fresno Association, Inc., CSU Fresno
Haleh Minakary, The Cal Poly Pomona Foundation, Inc., Cal Poly Pomona
Frank Mumford, CSU Fullerton Auxiliary Services Corporation, CSU Fullerton
Brian Nowlin, CSULB Foundation, CSU Long Beach (*Arrived at 11:30 AM*)
Patricia Worley, Associated Students Inc., Sacramento State University

MEMBERS ABSENT

Gigi Kiama, University Corporation, CSU Monterey Bay

STAFF, GUESTS AND CONSULTANTS

Daniel Howell, Alliant Insurance Services, Inc.
Mimi Long, Alliant Insurance Services, Inc.
Zachary Gifford, CSU Office of the Chancellor
William Hsu, CSU Office of General Counsel
Mauri McGuire, Carl Warren and Co.
Rob Leong, Alliant Insurance Services, Inc. (*Arrived at 12:00 Noon*)
Myron Leavell, Alliant Insurance Services, Inc. (*Arrived at 12:00 Noon*)

A. CALL TO ORDER

The meeting was called to order by the Chair, Dwayne Brummett at 10:07AM.

B. PUBLIC COMMENTS

There were no public comments.

C. CONSENT CALENDAR

C1. Approval of the Agenda

A motion was made to approve the May 8, 2014 agenda.

MOTION: Frank Mumford

SECOND: Keith Kompsi

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			
Frank Mumford	X			
Brian Nowlin				X
AORMA Committee Alternates Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			
Pat Worley - Alternate	X			

MOTION CARRIED

C2. Approval of Minutes – March 20, 2014

A motion was made to approve the minutes of the March 20, 2014 meeting.

MOTION: Leslie Davis

SECOND: Haleh Minakary

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			

Frank Mumford	X			
Brian Nowlin				X
AORMA Committee Alternates Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			
Pat Worley - Alternate	X			

MOTION CARRIED

D. CLOSED SESSION

A motion was made to enter closed session.

MOTION: Frank Mumford

SECOND: Robert de Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			
Frank Mumford	X			
Brian Nowlin				X
AORMA Committee Alternates Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			
Pat Worley - Alternate	X			

MOTION CARRIED

The AORMA Chair reported that no action was taken during closed session and that direction was given to staff.

E. STANDING COMMITTEE REPORTS

E1. Programs Committee Report

Guy Dalpe reported on the Programs Committee’s recent activities. The Committee is currently reviewing the first draft of the “member allocation formula” for the FY 15/16 liability program

prepared by staff. It is anticipated that FY 15/16 will be the first year where AORMA may use a formula based off of actuarial work performed on the group's historical exposures.

In the past the AORMA Liability Program didn't have enough claims history to make this a feasible approach so the liability underwriter rated each individual member using ISO standards when they first entered the program, then made smoothing adjustments with each succeeding year so that no member would experience high variance in their annual insurance costs.

From the results of the draft work it appears that some members may experience what could be termed a significant increase in their annual liability insurance cost while others may see a decrease. Because of this, staff and the committee are working together to ensure that the final formula is accurate and fair for all members.

Cross tests through re-rating of a select number of members is being requested from the liability underwriter for comparison purposes and the actuary is validating the total premium or rate for each exposure category (employment, automobiles, premises and "others"). It has also been requested that the components of the formula be reviewed by the liability underwriter, AORMA's actuary and Mike Simmons from Alliant. In addition, once the allocation formula is close to being finalized the committee discussed having a review performed by an outside consulting group such as the Center for Insurance Studies at CSU Fullerton.

Using the suggested actuarial method also means that there will be an additional cost annually for the increased actuarial work that will need to be performed. Staff is in discussion with the actuaries to determine these costs and the preliminary estimate is roughly \$9,500 additional during the first year and \$5,000 additional during each succeeding year. Staff discussed these costs with the actuary and they agreed to provide the additional actuarial services for a total of \$9,500 for the first year and \$5,000 for the remaining years.

Guy also let the committee know that the Programs Committee moved to recommend to the AORMA chair that he be appointed as the Programs Committee Chair for fiscal year 2014/2015. Kurt Borsting's term on the Programs Committee ends on June 30th. The Programs Committee discussed a number of auxiliary staff members as potential candidates for filling this upcoming seat.

E2. Member Services, Loss Control and Training Committee Report

Melinda Coil provided a brief summary of the MSLCTC's last meeting on April 7th. The committee decided to recommend approval of a one-year contract with Alliant Risk Control Consulting (ARCC) for FY 14/15 with an annual contract amount of \$87,000 rather than a three-year contract with an annual cost of \$102,000 as proposed by ARCC. The MSLCTC made this recommendation because the committee felt like they needed additional information from Brent with regard to his plan for spending the additional \$15,000 that was approved for the FY 13/14 contract.

The MSLCTC also reviewed the Employers Group renewal contract proposal and is recommending approval of a three-year contract with the Employers Group if they agree to the annual cost of \$507 per member for all three years. Employers Group originally proposed a three-year contract with annual pricing increases. The committee didn't see the point of approving a three-year contract without there being a financial incentive. Melinda noted that staff went back to Employers Group and they did agree to the annual per member cost of \$507 for all three years.

F. GENERAL ADMINISTRATION

F1. Alliant Risk Control Consulting Renewal Contract Proposal for FY 14/17

Mimi explained that the current contract with Alliant Risk Control Consulting (ARCC) is due to expire on June 30, 2014. ARCC proposed a three-year contract effective July 1, 2014 to June 30, 2017 with an annual fee of \$102,000. The MSLCTC reviewed ARCC's contract proposal and is recommending approval of a one-year contract with ARCC with a maximum annual fee of \$87,000, which is \$15,000 lower than the current FY 13/14 ARCC fee. The MSLCTC is making this recommendation because they don't feel like they have enough information to justify the \$15,000 increase which was approved in anticipation of the additional time required in order for ARCC to comply with the service requirements within Policy and Procedure A-6 – Risk Reduction Matching Grant Incentive Program. Mimi stated that if ARCC runs out of funds mid-year, the AORMA Committee could approve additional funds mid-year.

A motion was made to approve a one-year contract with Alliant Risk Control Consulting with an annual cost of \$87,000 and to grant authority to the CSURMA Secretary-Auditor to negotiate the terms of the contract and to execute the contract.

MOTION: Frank Mumford

SECOND: Leslie Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			
Frank Mumford	X			
Brian Nowlin				X
AORMA Committee Alternates Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			

Pat Worley - Alternate	X			
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MOTION CARRIED

F2. Employers Group – Renewal Contract for FY 14/17

Mimi explained that the current contract with the Employers Group for HR Consulting Services is due to expire on June 30, 2014. The MSLTC recommends approval of the three-year contract option, but only if Employers Group will agree to the contract pricing of \$507 per auxiliary for the full three years. Staff did approach Employers Group about lowering its three-year pricing to \$507 per auxiliary for all three years. Employers Group did agree to this pricing. \$507 per auxiliary represents a 4.5% increase. Employers Group decreased their pricing the second year of its contract with AORMA and has maintained that lower pricing of \$485 per auxiliary since March 1, 2012.

A motion was made to approve a three-year contract with Employers Group with a per auxiliary fee of \$507 for all three years and to grant authority to the CSURMA Secretary-Auditor to negotiate the terms of the contract and to execute the contract.

MOTION: Leslie Davis
SECOND: Frank Mumford

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			
Frank Mumford	X			
Brian Nowlin				X
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			
Pat Worley - Alternate	X			

MOTION CARRIED

The committee members noted that some of the contract terms seemed to be generic in nature and did not necessarily apply to AORMA. Robert Eaton’s email address is shown as cminnick@calstate.edu. Staff will clean up the contract prior to being reviewed by legal counsel and executed by the CSURMA Secretary-Auditor.

Guy Dalpe noted that Cesar Chaves Student Center has a contract with ADP Payroll Services. As part of their contract with ADP, they receive a membership to the Employers Group with the same services as offered through AORMA. Staff was directed to ask Employers Group to verify any other auxiliaries that may be receiving duplicate services through Employers Group.

F3. CSURMA AORMA Committee Election Results

Mimi let the committee know that Keith Kompsi and Leslie Davis were elected for a second term and that Mark Day, from Santos Manuel Student Union, CSU San Bernardino, was elected for his first term July 1, 2014 to June 30, 2016.

Dwayne Brummett noted that this would be Pat Worley's last AORMA meeting and he thanked her for her years of service on the AORMA Committee.

F4. Update of Excess Insurance Renewals

The following summary was provided for each line of coverage:

Liability – Reinsurance Agreement with Genesis (\$4,650,000 excess of \$350,000 layer) – Daniel Howell let the committee know that Genesis agreed to a renewal with a 3% increase. This is the first year Genesis has asked for an increase and this is due to AORMA's large losses which have incurred amounts in excess of \$350,000. Daniel also noted that Genesis has added two endorsements to their reinsurance agreement, which means that AORMA should adopt the same wording within it MOC.

The draft copy of the FY 14/15 liability MOC was passed out to the committee. The recommended amendments were explained.

Genesis has added an endorsement which stipulates that all Non-Employment Harassment (sexual molestation) by one perpetrator or two or more perpetrators working together will be considered one occurrence. This benefits AORMA because only one SIR (\$350,000) will apply to the loss. The same is true of the limit; only one limit will be applied to all losses by the same perpetrator or same two or more perpetrators. Daniel noted that CSURMA AORMA has a limit of \$200MM and therefore, feels that this endorsement benefits the JPA by limiting the number of SIR's that may need to be paid. He also noted that the single occurrence is the date of the first touch rather than the last touch. The excess policies use "last touch" so Daniel has asked the excess carriers to modify their wording.

The aircraft exclusion was modified to include coverage for unmanned aerial vehicles. Genesis has agreed to this coverage modification. A definition of Unmanned Aerial Vehicle was added as well. The committee requested that the definition be revised to note that the Gross Take-Off Weight of the UAV, including fuel and equipment, can be no more than 100 lbs. The definition now may be interpreted to mean the equipment within the UAV can weigh no more than 100 lbs,

but that there is no weight restriction on the UAV. Daniel noted that 100 lbs. is used because that is the FAA's standard for non-commercial use.

Genesis will also add a cyber liability exclusion to its reinsurance agreement. Cyber liability is not covered within the liability program. This endorsement simply clarifies the intent of the MOC / reinsurance agreement. CSURMA AORMA purchases a separate \$5MM cyber liability policy. Coincidentally, the draft CSURMA cyber liability report just arrived. After careful review, additional cyber liability limits may be purchased.

Staff will be requesting that the "experiments performed on human beings, clinical trials and/or medical trials" exclusions be removed or modified to exclude only medical experiments or clinical trials performed by medical doctors.

The definition of damages was modified to note that damage will NOT include fines, penalties, sanctions, taxes or fees assessed against any covered party. People make mistakes all of the time and sometimes these mistakes result in first party monetary losses. A typical general liability or professional liability policy does not provide coverage for these types of mistakes as there is no third party damage. AORMA's MOC is silent with regard to coverage for fine and penalties. So that the MOC's intent is clear, the definition of damage has been modified.

Mimi stated that some auto rental companies cannot provide the physical damage coverage when renting certain types of larger vehicles. Therefore, within the Domestic Hired Automobile Physical Damage endorsement, Exclusion A has been revised to delete from the exclusion section "vehicles that have an open cargo bed and recreational vehicle" and "truck" was replaced with "semi-trucks". The committee also asked that limousines be removed from the exclusion section. A suggestion was made to substitute "semi-trucks" with "any vehicle with more than two axles".

All of these MOC changes will be reviewed by the Programs Committee. Staff may have to schedule an AORMA Committee teleconference meeting to approve these changes prior to July 1st.

Excess Liability (\$15,000,000 excess of \$5,000,000) and Crime – Daniel Howell expects the pricing to be flat.

Excess Workers' Compensation – Mimi stated that the verbal quote was just received. Safety National will increase the rate for the \$500,000 retention by 7.5% or they can keep the same rate and increase the retention to \$750,000. A 10% increase was included in the budget.

Property – Daniel states that CSURMA's bad claims year finally dropped off and therefore the property program is being marketed this year. Zurich has provided an alternative quote to Lexington. The two quotes are currently being reviewed. Daniel expects that the program will receive a 15% to 20% rate reduction for FY 14/15.

ID Fraud – The renewal quote has not been received, but Mimi stated that a flat renewal is expected.

F5. Revisions to Policy and Procedure A-2 – AORMA Committee and Standing Committee Roles and Responsibilities

Mimi states that Policy and Procedure A-2 has been revised to document the current practice that the AORMA Committee Chair has the “authority to appoint an at-large AORMA Committee member or the AORMA Committee Vice-Chair, Past Chair or Ex Officio if that seat on the AORMA Committee is vacated mid-term.” The revision also documents that the appointment is subject to the AORMA Committee’s approval.

The committee requested that “mid-term” be deleted, because an appointment can be made at any time.

A motion was made to approve the revisions to Policy and Procedure A-2 as presented, but to delete “mid-term” from the end of the sentence.

MOTION: Leslie Davis
SECOND: Kurt Borsting

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			
Frank Mumford	X			
Brian Nowlin	X			
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			
Pat Worley - Alternate				

MOTION CARRIED

F6. Revisions to Policy and Procedure UI-1 – Formula for Determining the Unemployment Insurance Program Annual Contributions

Mimi stated that if a member in the UIP does not have a fully funded safe level, a 20% assessment is applied until the member’s safe level is fully funded. Currently, the assessment is 20% of the annual contribution. Policy and Procedure UI-1 has been revised so that the assessment is 20% of the “additional funding required to achieve the minimum fund balance.”

The committee members were surprised at how many members had a negative fund balance and how many members were not fully funded to the required safe level. Staff was asked to review this issue and make suggestions.

A motion was made to approve the revisions to Policy and Procedure UI-1 as presented.

MOTION: Frank Mumford

SECOND: Robert de Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
Dwayne Brummett	X			
Melinda Coil	X			
Guy Dalpe	X			
Leslie Davis	X			
Robert de Wit	X			
Gigi Kiama				X
Keith Kompsi	X			
Haleh Minakary	X			
Frank Mumford	X			
Brian Nowlin	X			
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Kurt Borsting - Alternate	X			
Pat Worley - Alternate				

MOTION CARRIED

F7. 2013 Vendor Survey Results

Zachary Gifford discussed the vendor survey results as it relates to the auxiliaries.

G. INFORMATION ITEMS

The Committee Members reviewed the following information items:

- G1. FY 13/14 Long Range Action Plan**
- G2. CSURMA AORMA 2014 Meeting Calendar**
- G3. CSURMA AORMA Program Administrator’s Contact Lists**
- G4. AORMA Committee Member – Effective 7/01/13**



APPROVED

G5. AORMA's Travel Reimbursement Policy

F. ADJOURNMENT

A motion was made to adjourn the meeting at 12:40 PM.

MOTION: Frank Mumford

SECOND: Robert de Wit